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# The AAA—What It Is

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AAA

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# The AAA—What It Is

The Agricultural Adjustment Administration—usually referred to as the AAA—is an agency of the Department of Agriculture. Co-operating through this agency, farmers operate their farms in such a manner as to (1) conserve soil, (2) improve farm income, and (3) protect consumers through fair prices by stabilizing supplies of farm products at levels adequate for domestic, export, and reserve requirements.

To conserve the soil, farmers earn AAA payments for planting a larger part of their acreage formerly in soil-depleting to soil-conserving crops and for carrying out soil-building practices. Soil-depleting crops include the three great staples of corn, wheat, and cotton, and certain other crops. Soil conserving crops are grasses and legumes. Soil-building practices include such measures as the seeding of legumes, the application of lime and phosphate, the planting of trees, and the construction of dams and terraces to control water run-off. In the interests of consumers, the farm legislation provides that farm production of food and fiber will be maintained at adequate levels.

The program aims to increase farm income by providing farmers with a means of stabilizing market supplies and prices of their products through acreage allotments, marketing quotas, loans, and crop insurance. The Ever-Normal Granary, made possible through the loan and insurance programs, provides for the storage of farm products in years of abundance for use in years of poor crops.

## Why We Need It

The need for the AAA Farm Program grew out of the difficulties which began to overtake the American farmer shortly after the World



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War. As the intensity of these difficulties increased—and finally culminated in national disaster in 1932—the Nation became increasingly aware of the farmers' plight. "The farm problem" became a phrase in everyday conversation and likewise one of national concern. At first, few people could understand or explain this trouble which had overtaken the Nation's basic industry. But there was general agreement on one point: Farm income was too low.

Though the farm population has made up approximately one-fourth of the national total for the last 20 years, the share of the national income going to farmers declined steadily from a peak of 20.8 percent in 1919 to 5.8 percent in 1932.

Surpluses, beating down farm prices, were the chief immediate cause of this decline in farm income. **Farm production,** as a result of war and post-war acreage expansion and improved production methods, **grew larger and larger. Farm markets,** as a result of both foreign and domestic tariff policies and the shift from horses to tractors, **grew smaller and smaller.**

Surpluses piled up. Prices declined. And as prices declined farmers increased their production even more in an attempt to maintain their income. They succeeded only in further lowering farm prices. Farmers produced surpluses to sell at whatever prices were offered. Industry, controlling its production, was better able to maintain its price levels. Farmers were at a disadvantage. Farm income declined by more than half; with it went farm purchasing power. Factories closed their doors. Workers went into the breadlines. Our whole national economy was sick.

When farmers increased their acreage of soil-depleting cash crops in seeking to overcome their disadvantage, they mined the Nation's soil resources. They greatly increased the rate of soil loss which had always accompanied our exploitative way of farming. By 1930 more

than 100 million acres were seriously damaged by erosion.

To meet this situation of farm depression and soil loss, Congress passed legislation establishing a national farm program. Through the AAA, this legislation enabled farmers to work toward improved income by bringing supplies of farm products into line with available demand. Also, through the AAA, the legislation gave farmers assistance in their fight to save the Nation's soil.

Through other agencies, the national farm program offered aid to the low-income farmer who was unable to produce adequately for even his own needs. It opened up additional credit to farmers and moved to expand their markets through export programs and surplus distribution.

Despite the great gains made by American agriculture in the last 7 years, farm income is still too low; it amounts to only about 9 percent of the national income. Farm incomes must be raised and stabilized at higher levels. The fight to save the soil is just beginning. In short, America's farm plant must be made to produce abundantly—for farmers, for consumers, for future generations—with adequate conservation measures to protect the soil. That is the job of the AAA.

With war raging abroad, the job of AAA is doubly important. Providing an abundance of food and fiber, conserving the Nation's soil resources, and raising farm income are a first line of defense. With AAA, American farmers are prepared for those tasks. At the same time, AAA is helping farmers make the tremendous adjustments resulting from the disruption of world trade; it is cushioning the shock of lost markets. The war has increased rather than lessened the need for the AAA Farm Program.

## How It Developed

The Agricultural Adjustment Administration was first organized to carry out the Agri-

cultural Adjustment Act approved by the President on May 12, 1933. Since that beginning there have been three distinct periods in AAA's history.

1. The act of 1933 provided for adjusted production of seven basic commodities—wheat, corn, cotton, hogs, rice, tobacco, and dairy products. Nine other commodities, two of which were sugar beets and sugarcane, were later added to this group. Benefit payments were derived from processing taxes and paid on a voluntary adjustment contract between the Government and each cooperating producer. The primary objective of this act was to bring about an increase in farm buying power by reducing surpluses and bringing supplies into line with demand. When sugar beets and sugarcane were made basic commodities the act was also amended to provide for a control of child labor and wage conditions and for a sugar-quota system under which the annual sugar needs of American consumers were determined and the total divided among the various domestic and foreign sugar-producing areas supplying this market. On January 6, 1936, the acreage control and processing tax provisions of the 1933 act were invalidated by the Supreme Court.

2. Following invalidation of the 1933 act, the Soil Conservation and Domestic Allotment Act, based on voluntary soil conservation, was approved on February 29, 1936. Passage of this legislation marked the beginning of the second phase in AAA's history.

Under this act payments were made for shifting acreage of such **soil-depleting** crops as corn, wheat, cotton, tobacco, and rice, to such **soil-conserving** crops as grasses and legumes and for carrying out soil-building practices. A total of $500,000,000 was authorized to be appropriated annually for this program. This act, as amended by subsequent legislation, forms the basis of the present AAA program.

Unusually favorable growing conditions in 1937 and the prospect of excellent crop condi-

tions in 1938 revealed that with a program based only on soil conservation farmers could not adjust supplies to demand and could not bring about sufficient acreage adjustment for true conservation. A broader program based on establishment of larger reserves through storage was needed if the problems of surplus, drought, and soil destruction were to be met. This idea served as the starting point for the 1938 legislation.

On September 1, 1937, the Sugar Act of 1937 became effective. This law, in addition to continuing the sugar-quota system, provides for an excise tax on sugar and for payments to beet and cane growers who meet certain conditions, which, besides including compliance with farm sugar allotments and soil conservation, also require nonemployment of child labor and payment of not less than the minimum wages fixed for laborers.

3. The third phase in the history of AAA began with the passage of the Agricultural Adjustment Act of 1938. This act strengthened the Soil Conservation and Domestic Allotment Act of 1936 and provided for a program which includes: (1) Conservation payments to producers who plant within their acreage allotments of soil-depleting crops and carry out soil-building practices; (2) parity or price-adjustment payments (when appropriated) to producers of corn, wheat, cotton, tobacco, and rice who plant within their allotments; (3) commodity loans to support farm prices and store reserves; (4) marketing control of surpluses when approved by two-thirds of the producers voting; and (5) Federal crop insurance on wheat.

Other activities authorized under the Agricultural Adjustment Act of 1938 and related legislation, but administered by other agencies of the Department of Agriculture include: (1) Freight rate investigation and study; (2) purchases of farm surpluses for relief distribution; (3) market expansion through research on new uses for farm products; and (4) allocation of

funds to help maintain a fair share of the foreign market for American farm products.

## How It Is Administered

The operation of the AAA Farm Program centers around the County Agricultural Conservation Association. This is the local administrative unit of the Agricultural Adjustment Administration. All farmers who cooperate in the AAA program are members of their county association and pay its operating expenses out of their AAA payments. The members carry on the business of their association through elected committees—one for each community and one for the county.

The community committee, which is composed of three farmers elected annually by their neighbor farmers, bears the responsibility for explaining the program in terms of its application to individual farms. There are approximately 73,000 community committeemen throughout the country who work an average of about 11 days each year in administering the program in their communities or townships.

Delegates elected from all the communities in the county choose three farmers to serve as the county AAA committee. The county agricultural agent serves either as secretary or as an ex officio member of the county committee. It is the duty of this committee to distribute county acreage allotments equitably among the farms of the county, approve the soil-building practices for which farmers may earn payments, and in general adapt the national program to local conditions. There are approximately 9,000 county committeemen who do AAA work on an average of approximately 65 days each year.

Linking the work of all county associations in each State are State agricultural conservation committees. The State committee is composed of three to five farmer members, appointed by the Secretary of Agriculture on the basis of local recommendation, and the director of the State Agricultural Extension Service.

Aside from being on a State-wide basis, the duties of the State committee follow much the same pattern as those of the county committees.

In Washington the administration of the program is handled on a regional basis, with a director for each of the Western, Southern, North Central, East Central, Northeast, and Insular Regions. The Sugar Division administers the Sugar Act of 1937 for all domestic sugar-producing areas, Continental and insular. The Division of Information serves all regions. The Washington office: (1) Supplies to farmers from various Government sources the technical aid and information necessary to operate the program; (2) advises with the Secretary in establishing national acreage allotments and goals; and (3) coordinates suggestions made by farmers, through their committeemen, to improve the program-operating procedure.

Through farmer administration the AAA supplies a channel through which the demands, experience, and the knowledge of farmers have flowed to shape the program and to make it constantly more effective. The AAA is a farm program operated for farmers by farmers.

## How It Is Financed

Our soil resources must be saved. Soil conservation costs money; it cannot be done by farmers who are continually receiving less than a fair share of the National income. The AAA is (1) helping farmers to conserve the Nation's soil resources, and (2) attempting to bridge the gap—until parity of farm income is reached—between the amount farmers receive for their products and the amount they pay for the products they buy. Parity income for agriculture, as defined by law, is that net income from farming operations per person **living on farms** which bears the same relation to the income per person **not living on farms** as prevailed in the 5 years before the World War.

From 1933 to 1935 the AAA Farm Program was financed from taxes on the processing of

major farm commodities. The use of processing taxes as a means of financing programs under the 1933 act was invalidated by the Supreme Court in 1936. Since then the farm program has been financed by appropriations from the Treasury. However, payments to sugarcane and sugar-beet producers are offset by collections of an excise tax on refined sugar.

For the 1940 program, Treasury appropriations are in three parts: First, $438,560,000 for the Agricultural Conservation Program, plus any unexpended balance of $60,000,000 appropriated for the fiscal year 1940; second, $225,-000,000 for parity payments as authorized in the Agricultural Adjustment Act of 1938; third, $47,975,000 for payments to sugar growers.

Payments to farmers under AAA programs (compiled from official reports) from 1933 through June 30, 1940 (by program years) are as follows:

| | |
|---|---|
| 1933—Rental and benefit | $208, 424, 000 |
| Cotton option and pool | 68, 466, 000 |
| 1934—Rental and benefit | 636, 523, 000 |
| 1935—Rental and benefit | 466, 988, 000 |
| Cotton price adjustment | 39, 771, 000 |
| 1936—Agricultural conservation | 369, 218, 000 |
| Rental and benefit | 45, 750, 000 |
| 1937—Agricultural conservation | 301, 514, 000 |
| Cotton price adjustment | 122, 077, 000 |
| Sugar | 36, 199, 000 |
| 1938—Agricultural conservation | 451, 309, 000 |
| Sugar | 45, 157, 000 |
| 1939—Agricultural conservation | 510, 268, 000 |
| Price adjustment | 211, 124, 000 |
| Sugar (partly estimated) | 46, 920, 000 |

In the fiscal year ended June 30, 1939, expenditures for AAA and related farm programs amounted to 8 percent of the total Federal budget. Unemployment relief accounted for 29 percent of the Federal budget in 1939, and national defense, 12 percent.

The average-sized conservation payment earned by the 5¾ million farmers who cooperated in the 1939 program was approximately $86.40 and the average price-adjustment payment was approximately $38.67. More than 77

percent of all farmers participating in the 1939 program earned conservation payments of less than $100 and about 92 percent earned payments of less than $200.

## How It Applies to the Individual Farm

Before planting time, each farmer is notified of his acreage allotments and the soil-building goal which has been established for his farm. He is also informed, usually through personal contact with his AAA committeeman or county agent, regarding the payments he may earn by planting within these allotments and the kind of soil-building practices which he may carry out in earning his soil-building allowance.

When a farmer decides to cooperate in the AAA program he plants within his acreage allotments and carries out the approved soil-building practices within the goal established for his farm. In most areas the farmer indicates his intention to participate by signing a "Farm Plan for Participation."

Sometime during the summer or fall, depending upon the area and the kind of farming system practiced, a representative of the county association will visit the farm and measure the acreage of the soil-depleting crops and inspect the soil-building practices which have been carried out. This is called the performance check. On the basis of this information it is determined whether the farmer has been in full performance and what the size of his payment will be. The farmer then signs an application for payment and his payments are either mailed to him or left for him at his county AAA office.

**Marketing quotas.**—If a farmer is producing a crop for which a marketing quota has been established (such as cotton and some types of tobacco in 1940) it will be necessary for him to keep the amount of his marketings within his quota. In the case of cotton the quota for the farm is the normal or actual production of the acreage allotment, whichever is larger. In the case of tobacco the quota is the actual produc-

tion of the farm acreage allotment. Consequently, a farmer who plants within his allotment may market his entire production without penalty. Production marketed in excess of his quota will incur a penalty. Marketing quotas are established only in years of unusually burdensome supplies in order to regulate marketings and to assure a fair share of the market to those farmers who are adjusting their production in an attempt to balance supplies with demand. Quotas may be applied to cotton, corn, wheat, rice, and tobacco. They are in effect only when approved by two-thirds of the producers voting in a referendum.

**Ever-Normal Granary.**—Loans on such crops as wheat, cotton, and corn, are available in years of large supplies and low prices. A farmer who cooperates in the AAA program obtains a loan by giving a chattel mortgage on his crop to the Commodity Credit Corporation and storing his crop either on his farm or in a licensed warehouse. Reserves stored under loan in years of abundance create an Ever-Normal Granary as a protection against crop failure. Crop insurance on wheat is another part of the Ever-Normal Granary offering protection to both consumers and producers. Premiums which farmers pay in insuring their crops are held in reserve to be paid out in times of crop failure. Farmers may pay their premiums in cash or in kind and insure their harvest for either 50 or 75 percent coverage against all unavoidable losses.

## What It Has Done

During the last 7 years, the AAA Farm Program has faced a variety of emergency problems. They have successively included staggering surpluses, drought of an unprecedented degree, the recasting of the farm program following the Supreme Court decision of 1936, the accumulation of new surpluses under the 1936 and 1937 programs, the administration of new legislation in 1938, and at present war in Europe. Likewise, because the 1938 winter

wheat crop had been seeded months before the 1938 legislation was enacted, the present farm program was in complete operation for the first time in 1939. Yet American agriculture has made a tremendous recovery during this period; its progress is reflected in many ways:

**In a nearly doubled cash farm income.**

**In a great united effort to save the Nation's soil resources.**

**In the establishment of an Ever-Normal Granary of reserves for the mutual protection of producers and consumers.**

**In the development of a workable farm program in which more than 6 million farmers, operating 82 percent of the Nation's cropland, are participating in 1940.**

**Income.**—Cash farm income in 1939, including Government payments, amounted to an estimated 8.5 billion dollars as compared with 4.7 billion dollars in 1932. From 1929 to 1932, farm income had declined to a point where farmers were able to buy only about 58 percent as much city goods as in 1929. In 1939 they were able to buy about the same amount of goods as in 1929. Likewise, the value of farm real estate increased by about 5 billion dollars from 1932 to 1939. The Nation's farm mortgage debt has been reduced more than 2 billion dollars, or 23 percent, since 1932. Farm bankruptcies have decreased 71 percent. The financial burden which brought such acute suffering to rural areas in the early thirties, has been greatly lightened. The increase in farm buying power has strengthened our entire national economy, and together with advances in conservation has done much toward restoring the farm home, the family-sized farm, and agriculture in general as basic elements in American life.

**Conservation.**—In 1938, the last year for which complete figures are available, new seedings of alfalfa, clover, and other soil-conserving crops by farmers cooperating under the AAA totaled more than 30 million acres; trees were planted and other forestry improvement prac-

tices were carried out on nearly 200,000 acres; 5½ million tons of fertilizer and lime were applied, and other erosion-control practices, such as terracing, strip cropping, and contour farming, were carried out on approximately 20 million acres during the year.

Ranchmen cooperating in the range conservation program carried out natural reseeding of their range land through deferred grazing practices on 28 million acres and artificial reseeding through the use of 1,373,000 pounds of grass seed. They built 21,000 earthen tanks and reservoirs—new watering places for stock—which more equitably distribute grazing throughout the range. They made contour ridges and furrows and used spreader dams to hold the water on the grass.

**Consumer protection.**—Through the reserves of corn and wheat built up in the AAA Ever-Normal Granary consumers are protected against the scarcity and high prices which have regularly accompanied periods of drought and short crops in the past. Reserves of corn—the raw material from which our meats, eggs, milk, and other dairy products are produced—in the past have amounted to only 7 percent of a normal year's production. In each of the drought years, 1934 and 1936, corn production was about 40 percent below normal. Meat prices skyrocketed and consumers suffered great hardships. Now, with the help of loans, farmers have created an Ever-Normal Granary of corn reserves amounting to more than 20 percent of a normal year's crop. Wheat farmers, with the help of the wheat loan and the crop insurance program, are doing the same. Moreover, the Sugar Act of 1937 specifically provides for the protection of consumers against excessive prices for sugar.

In the 1940 Ever-Normal Granary reserves, the Nation finds a bulwark of protection against whatever circumstances may arise from the European conflict. Our granaries contain one of the greatest supplies of food and fiber in our

history. Over and above our expected domestic consumption and exports, we have on hand 11 million bales of cotton, 650 million bushels of corn, 280 million bushels of wheat, and 3 million barrels of rice. Our stocks of poultry and dairy products, fruits and vegetables, meats and lard, and other commodities are just as plentiful. Through the Ever-Normal Granary and the loan programs, farmers have obtained better prices for their crops and at the same time maintained reserves adequate to meet any emergency.

**Wheat.**—Cash income of the Nation's wheat producers was 167 percent larger in 1939 than in 1932, rising from 200 million dollars to 534 million dollars, including an estimated 138 million dollars in Government payments. In the fall of 1939 United States wheat prices were around 30 to 35 cents above their usual relationship to world levels. Farmers who put their wheat under loans were also able to take advantage of the 25- to 30-cent-per-bushel price rise which occurred during the winter. The 1939 seeded acreage of wheat was 63.7 million acres, compared to 67.2 million acres for the 1928–32 period.

**Cotton.**—Cotton producers' cash returns from seed and lint increased from 461 million dollars in 1932 to 844 million dollars in 1939, including estimated Government payments of 215 million dollars. Cultivated acreage of cotton in 1939 amounted to 24.7 million acres, compared with 41.4 million during the 1928–32 period. On this acreage shifted out of soil-depleting crops, Southern farmers produced soil-improving crops and badly needed food and feed crops for home use which appreciably increased their standard of living.

**Corn.**—Planted acreage of corn in 1939 was 91.5 million acres, approximately 13 million acres less than were being planted during the 5-year period before the AAA. Yet cash income from corn increased from 110 million dollars in 1932 to 476 million dollars in 1939,

including an estimated 150 million dollars in Government payments.

**Tobacco.**—Even though tobacco producers did not take full advantage of the AAA program in 1939 and produced one of the largest crops on record, their 1939 cash income was still more than double what it was in 1932. The increase was from 115 million dollars to 271 million dollars including estimated Government payments of 7 million dollars. Now tobacco farmers are using all features of the program in cushioning the effects of the European war which has so sharply curtailed tobacco exports.

**Sugar.**—The income of continental United States sugar-beet and sugarcane producers rose from an average of $63,000,000 in the period 1928–33, which preceded the sugar programs, to $84,000,000, including Government payments, in the period 1934–39, during which such programs were in effect—an increase of more than 33 percent. The income from sugar production in Hawaii and Puerto Rico has also improved during the period sugar legislation has been in effect.

**Dairy.**—Dairy farmers' income in 1939 was 37 percent greater than in 1932, having risen from 991 million dollars to 1,355 million dollars.

**Meat animals.**—Cash income from meat animals rose 97 percent from 1,158 million dollars to 2,276 million dollars.

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